TIG/Grid West Integration Proposal

For Near Term Services

Developed by the:
Technical Work Group

October 28, 2005

1 Executive Summary

The Pacific Northwest has developed two proposals for future management of the regional transmission system – Grid West and TIG. The plan was to decide between these two proposals at the end of September 2005, but there was not sufficient consensus for either of these proposals to be selected. The Integration Proposal was developed to combine the best of the Grid West and TIG proposals, which would result in a better proposal, with the intent that this proposal would bring greater consensus within the region.

The purpose of the integration Technical Work Group is to develop a report that describes the Near Term Services that will be provided in the first two years (2006 and 2007) under the Integration Proposal, a rough outline of the work to be done and an estimate of the cost. This work is to be completed and presented to the Regional Forum by October 31, 2005.

This is the final report of the Integration Technical Work Group and is intended to be the definitive document for the Near Term Services to be provided under the Integration Proposal. The Work Group is recommending implementation of Planning and Expansion, Independent Market Monitor and OASIS similar to what was described in the TIG proposal. We are also recommending the Board facilitate development and implementation of as much of the Reliability and Flow Based ATC proposals as is practical in the first two years. These efforts will take place while the next level of design for the TSLG Basic Features is completed.

Development and operation of these Near Term Services are expected to cost the region $8.1 million in the first two years. This funding would enable the Board to engage 12 FTE to support these services.

The development of these Near Term Services will be a major effort, but is expected to provide substantial value for the Region, while moving us toward a “one utility” management approach to the region’s transmission network. This approach will take steps toward improving reliability of the grid in the future; increasing operating efficiency; and potentially improving the timeliness of construction of needed infrastructure.

2 Background

The Pacific Northwest has developed two proposals for future management of the regional transmission system – Grid West and TIG. The plan was to decide between these two proposals at the end of September 2005, but there was not sufficient consensus for either of these proposals to be selected. The Integration Proposal was developed to combine the best of the Grid West and TIG proposals, which would result in a better proposal, with the intent that this proposal would bring greater consensus within the region.

2.1 Integration Proposal

A group of 12 regional consumer-owned, public-owned and investor-owned utility representatives with varying levels of support for TIG, Grid West or both gathered to determine if there exists a transmission policy alternative to the competing proposals that could garner support from more of the region's stakeholders and reduce the divisiveness that currently ensnares the region. To find an alternative they had to sift through the differences in the proposals at the fundamental level. They intentionally avoided the details. The Strawman Convergence proposal that resulted is at Attachment 1. The substance of the proposal is found in the last four paragraphs of the proposal. This Near Term Services proposal, along with the proposed bylaw amendments, is the plan for implementation of the earlier high level concept and has been named the **Integration Proposal**.

The Integration Proposal was discussed at the September 29, 2005 Regional Representative Group (RRG) meeting and again at a public meeting of the Regional Forum October 5, 2005. At the later meeting it was agreed that integration supporters would form a policy work group, a legal work group and a technical work group to further develop the integration proposal. This work must be completed by the end of October 2005, when a decision will be made whether to pursue the Grid West, TIG, or Integration proposal.

2.2 Technical Work Group Charter and Schedule

The purpose of the integration Technical Work Group is to develop a report that describes the Near Term Services that will be provided in the first two years (2006 and 2007) under the Integration Proposal, a rough outline of the work to be done and an estimate of the cost.

A first draft of the near term services must be completed and presented to the Regional Forum by October 20, 2005. The final report must be presented by October 31, 2005.

2.3 Work Group Team

Name	Company	TIG Work Group					Grid West		Review	Attendance		
		Planning	IMM	OASIS	Reliability	FB-ATC	TSLG	CCA		11-Oct Meeting	14-Oct Meeting	21-Oct Conf Call
Dariush Shirmohammadi									X	X	X	X
Jim Hansen	SCL						X		X	Phone	Phone	
Ray Brush	NWE							X	X	Phone	Phone	Phone
Dick Schwarz	PNSC				X				X	X	Phone	Phone
Bill Dearing	GRT				X				X	X	X	
Scott Kinney	AVA				X				X	X	Phone	
Mike Ryan	PGE				X			X	X	X	Phone	Phone
Bob Harshbarger	PSE							X	X	X	Phone	Phone
John Phillips	PSE	X							X	X	Phone	Phone
Don Watkins	BPA				X	X		X	X	X	Phone	Phone
Marv Landauer	BPA	X							X	X	X	Phone
Eric King	BPA						X		X	X	X	Phone
Tim Smith	BPA				X		X	X	X	X	X	Phone
Bill Kirby	PGE			X								
Jack Bernardsen	PNSC				X							
Lon Peters	PGP		X						X			Phone
Steve Fisher	Chelan	X										
Pat Maher	AVA			X		X						

3 Major Assumptions

Cost Estimates - Given the short timeline for the development of the Integration Proposal Near Term Services; the work outline and cost figures below, while intended to give an good estimate of the level of effort and costs involved for the implementation of these services, are nonetheless preliminary in nature. They will be refined as the implementation proceeds.

Other Costs - Cost estimates include staff costs and overheads such as salary, benefits, office space, and office equipment, but do not include the cost of the Board, who will direct their activities. The cost of the Board and the parallel development of the Grid West Basic Services are included in the Grid West cost estimate. Similarly, the cost to stakeholders for their participation in the region's design and development of the Near Term Services and the cost of implementing those services within their companies is not included in this cost estimate.

Allocation of Costs is Not Addressed Here - The cost of the Grid West proposal from Decision Point 2 to Decision Point 4 will be added to the cost of the Near Term Services during that same time frame to get an estimate of the Integration Proposal cost in the first two years. There will be some offsetting of Grid West costs, primarily the cost of implementing the Planning and Expansion proposal. Allocation of the Integration Proposal costs among funding members will be addressed in a Participation and Funding Agreement, and/or in a Transmission Agreement that would be signed by all participants. The agreement(s) will determine whether the funding is through service fees and/or a fixed fee. These issues are outside the scope of the Technical Work Group.

Expanded Role for the Board – The Board will provide oversight for the Near Term Services implementation and the Grid West design development. The Board will also perform the functions of the Transmission Expansion Review Council (TERC) and the

Market Monitor Committee (MMC), proposed by TIG, as part of their oversight of the Near Term Services.

Support of Other Regional Entities' Efforts – Some of the regional Near Term Services recommended in the Integration Proposal are currently being developed, funded and staffed by other regional entities, such as WECC, PNSC, or NWPP. For these services, the Board will: 1) Actively monitor and support their development to facilitate successful and timely completion and operation; 2) Participate in the development of requirements, standards, business practices and desired outcomes; 3) Participate in the design, development and support implementation of all the necessary infrastructure; and 4) If the development of such functions is delayed or abandoned, step in, subject to feasibility and continued value of such functions, to complete appropriate elements as part of this near term effort.

This will likely require the Board to designate additional resources for the timely completion and deployment of such delayed or abandoned services. The cost of such potential undertakings is not included here. Additional funding from Participants would likely be necessary.

Timing - The earliest that the Board will be in place will be the first quarter of 2006. No expenditures on Near Term Services can be made until the Board is seated. However, the participants can begin the preliminary work now that would make it possible for the Board to hire staff and contractors for Near Term Services immediately after it is seated and the bylaw modifications are adopted.

This period from now until funds can be spent is referred to as "Q0" in the tables for each of the Near Term Services. Examples of work that can be done in "Q0" include: writing job descriptions for staff to be hired; developing requirements and specifications for the IMM contract; TOs can contract with WesTTrans to implement a common OASIS; TOs can provide technical support for development of reliability functions by PNSC, NWPP and WECC.

As shown in the timeline at Attachment 2, Decision Point 4 is scheduled to take place two years after the Board is seated. Between Decision Point 2 and Decision Point 4, the Near Term Services will be implemented. The bylaws will require the Board to offer the near term services transmission agreement (TA1) within four months of adoption of the modified bylaws. Given this timeline, these Near Term Services are expected to be operational for at least twelve months before Decision Point 4.

Post Decision Point 4 – At Decision Point 4 the Region will decide whether to proceed with the full implementation of the TSLG Basic Features. If the region decides not to pursue further development of the TSLG Basic Features, the Board will need to decide what services go forward and how to fund them. The cost of those services will be addressed at that time.

4 Near Term Services

4.1 Selection Principles

The following principles were applied to the selection of types of services recommended in the TIG Proposal[1] for near term implementation:

1) Service is recommended by the TIG report and provides immediate value for the region;
2) Service can be reasonably implemented and be operational in the next two years;
3) Service is not inconsistent or incompatible with the solution proposed in the TSLG Basic Features.

We have also assumed that design and development of the TSLG Basic Features will move forward in parallel and in close coordination with the development of the Near Term Services proposed here.

4.2 Transmission Planning and Expansion

Key components of the Transmission Planning and Expansion services are described below.

Board will establish a planning staff whose near term responsibilities will be to:

- Develop an open planning process and procedures
- Develop transmission adequacy standards in coordination with the region for Board approval
  - Use existing standards for the first biennial plan
  - Participate in NWPP's transmission adequacy development process
- Coordinate planning with regional entities, run studies and produce the initial Biennial Plan for Board review
  - Collect system info and build basecases
  - Perform some system studies and coordinate with other entities for others
  - Document transmission system improvements needed
  - Use WECC/NERC minimum criteria supplemented with TO's criteria as needed
  - Coordinate congestion analysis responsibility with NTAC
  - In coordination with the Board and the region, identify projects to relieve "major congestion problems" for voluntary implementation
  - Identify which congestion projects would not be needed if the TSLG Basic Services markets were in place
  - Modify the plan per the Board's instructions
- Develop cost and capacity allocation methodology and backstop model for reliability and firm obligation projects for Board approval
  - Apply to the initial Biennial Plan, but neither the Board nor the planning staff will have the authority to compel construction for the initial Biennial Plan

[1] An Incremental Approach To Transmission Improvements, August 2005 http://www.tig-nw.kristiwallis.com/wp-content/FinalTIGReportAugust2005.pdf

- It is anticipated that the planning staff will rely heavily on TOs and other regional entities to conduct many of the necessary planning studies
- Participate in appropriate regional planning forums

Table 1: Transmission Planning and Expansion work plan and budget

	Function		Q0	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
1	Hire Planning Team	Activity	Define job positions	Procure office, hire staff	Manage organization (hands on manager)							
		FTE	0	1	1	1	1	1	1	1	1	
		Resources	TO's	Facilities, OA, relo	Facilities	Facilities	Facilities	Facilities	Facilities	Facilities	Facilities	
		Res Cost	$0	$240,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000	
		Cost	$0	$300,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	**$1,000,000**
2	Develop open process for Biennial Plan	Activity		Develop criteria, develop method & procure technology	Improve on solution and technology support and maintain systems, coordinate congestion studies for region							
		FTE		1	1	1	1	1	1	1	1	
		Resources		Consultant								
		Res Cost		$75,000	$120,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	
		Cost		$120,000	$165,000	$51,000	$51,000	$51,000	$51,000	$51,000	$51,000	**$591,000**
3	Collect system info and build basecases	Activity			Collect system info and build basecases							
		FTE			2	2	2	2	2	2	2	
		Resources										
		Cost source										
		Cost			$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000	**$630,000**
4	Prepapre the first biennial plan and present to the Integration Board	Activity			Perform system studies and identify reliability problems in coordination		Develop expansion plans in coordination with TO's			Present plan to IB & perform modifications per feedback		
		FTE			2	2	2	2	2	2	2	
		Resources										
		Res Cost										
		Cost			$90,000	$90,000	$90,000	$90,000	$90,000	$90,000	$90,000	**$630,000**
5	Develop cost and capacity allocation schemes, backstop methodology and transmission adequacy standards	Activity	Develop transmission adequacy standards and cost and capacity allocation methodology and backstop model in cooperation with region				Adapt and improve methodology					
		FTE	0	1	2	2	2	2	2	2	2	
		Resources	TO's	Consultants	Consultants	Consultants						
		Res Cost	$0	$75,000	$75,000	$75,000						
		Cost	$0	$120,000	$165,000	$165,000	$90,000	$90,000	$90,000	$90,000	$90,000	**$900,000**
	Total	**FTE**	**0**	3	**8**	**8**	**8**	**8**	**8**	**8**	**8**	
		Cost	**$ -**	**$ 540,000**	**$ 520,000**	**$ 406,000**	**$ 331,000**	**$ 331,000**	**$ 331,000**	**$ 331,000**	**$ 331,000**	**$3,121,000**

4.3 Independent Market Monitor

Key components of the Independent Market Monitor service implementation are described below.

The Board will contract with a qualified independent contractor as the Independent Market Monitor (IMM), whose near term responsibilities will be to:

- Produce state of market (SOM) reports annually
  - For the initial SOM, the IMM would prepare a general retrospective report based to the greatest extent possible on publicly available information
- Report to the Board
- Establish direct relationships with states, federal, and provincial regulatory/enforcement and oversight entities and submit un-redacted reports, governed by non-disclosure agreements, to such entities
- Establish data exchange protocols and implement them with market participants
- Monitor and analyze regional transmission and wholesale power markets
  - Provide a confidential report to the Board as well as other appropriate oversight/regulatory bodies about market irregularities without intervening itself to remedy behavior or market structure
  - The Board and regulatory bodies will have the responsibility for deciding whether to make this information public
- Monitor activities in adjacent wholesale power and transmission markets as well as related commodities (e.g., gas market) for their impact on the wholesale power and transmission markets in the region

- In response to complaints as well as on own initiative, recommend market investigations
- Within funding limits, assist in market investigations in response to regulator requests

Table 2: Independent Market Monitor work plan and budget

Function			Q0	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
1	Hire Independent Market Monitor to monitor market	Activity	Prepare selection criteria for coordinator	Hire manager, select & hire IMM	Procure systems	Manage IMM						
		FTE	0	1	1	1	1	1	1	1	1	
		Resources	TO's	Consultant	Retrospective SOM		Investiagtion	IMM, sys	IMM, sys	IMM, sys	IMM, sys	
		Res cost	$0	$75,000	$200,000	$200,000	$100,000	$250,000	$250,000	$250,000	$250,000	
		Cost	$0	$120,000	$245,000	$245,000	$145,000	$295,000	$295,000	$295,000	$295,000	**$1,935,000**
2	Develop IMM Systems	Activity				Setup Sys & DB						
		Cost				$150,000	$150,000					**$300,000**
Total		**FTE**	**0**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	
		Cost	**$ -**	**$ 120,000**	**$ 245,000**	**$ 395,000**	**$ 295,000**	**$ 295,000**	**$ 295,000**	**$ 295,000**	**$ 295,000**	**$ 2,235,000**

4.4 Common OASIS

Key components of the Common OASIS service implementation are described below.

The Board will establish a Common OASIS Coordinator, whose near term responsibilities will be to:

- Develop and implement an OASIS Agreement for TOs
- Assist TOs to put into place a contract between an OASIS vendor and TOs to implement a Common Northwest OASIS on an outsource basis
  - The TOs will sign appropriate agreements and pay associated costs
  - Consider WesTTrans as an available option
- Coordinate Common OASIS operation including all path offerings from multiple owners.
- Develop and encourage implementation of common business practices among TO's
- Support development of a single Queue in conjunction with the development of the flow based ATC service, subject to Board determination of value and feasibility

Table 3: Common OASIS work plan and budget

Function			Q0	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
1	OASIS development and operation coordination	Activity	Prepare selection criteria for coordinator	Hire coordinator, prep & sign TO's Agrmnts	Contract with OASIS vendor	Coordinate OASIS operation						
		FTE	0	1	1	1	1	1	1	1	1	
		Resources	TO's									
		Res Cost	$0									
		Cost	$0	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	**$360,000**
2	Develop common business practices among TO's	Activity		Develop common business practices among TO's			Implement common business practices					
		FTE										
		Resources		Consultant	Consultant	Consultant						
		Res Cost		$50,000	$75,000	$50,000						
		Cost		$50,000	$75,000	$50,000						**$175,000**
Total		**FTE**	**0**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	
		Cost	**$ -**	**$ 95,000**	**$ 120,000**	**$ 95,000**	**$ 45,000**	**$ 45,000**	**$ 45,000**	**$ 45,000**	**$ 45,000**	**$ 535,000**

4.5 Reliability and Security

The assumption is that the Reliability and Security services will be developed and implemented through the PNSC, NWPP and WECC in the first two years. The following efforts by regional entities will be supported.

The Board will assign resources to monitor and support Reliability and Security initiatives by regional entities, including:

- Development of PNSC's tools for flow and voltage and transient stability analyses for real-time and hour-ahead use
- Development of PNSC's day ahead operational analysis
- Development of PNSC's infrastructure to comply with updated security coordination requirements
- Development of NWPP's ACE Diversity Interchange to be implemented through the existing reserve sharing system.
- Development of WECC's regional database for reliability data that can be shared among participants

The Board will step in to complete the above functions, subject to their review of feasibility and continued value, if their development is delayed or abandoned. Cost of such undertakings is not included here and would likely require additional funding by the Participants.

If at Decision Point 4, the region decides not to implement the TSLG Basic Features, it is anticipated that the Board will have the authority to pursue development of additional reliability measures consistent with its authorities outlined in the bylaws. Those costs are not included here and would likely require additional funding by the Participants.

Table 4: Security and Reliability work plan and budget

Function		Q0	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
1 Monitor and support various reliability improvement efforts in the region	Activity		Coordinator to monitor and support various reliability improvement efforts in the region and make regular reports to Board								
	FTE		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
	Resources		Expenses	Expenses	Expenses	Expenses	Expenses	Expenses	Expenses	Expenses	
	Res Cost		$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	
	Cost		$42,500	$42,500	$42,500	$42,500	$42,500	$42,500	$42,500	$42,500	**$340,000**
Total	**FTE**	**0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	
	Cost	**$ -**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 340,000**

4.6 Flow Based ATC

The main components of Flow-Based ATC will require significant design development in the first two years. That development is being performed under the TSLG Basic Functions. However, some early implementation may be possible. Early implementation efforts include:

- Support development and implementation of TSLG's Flow Based ATC calculator
  - The cost of development and implementation of Flow Based ATC calculator is addressed separately in the Grid West proposal
- Use the developed Flow Based ATC calculator in parallel with actual operation for testing and evaluation purposes. The Board will determine the appropriate level of testing and evaluation

Table 5: Flow Based ATC work plan and budget

Function		Q0	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
2 Support implemement of the TSLG's flow based ATC calculator	Activity		Support implemement of the TSLG's flow based ATC calculator					Test ATC calculator in parallel with actual operation			
	FTE		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
	Resources		Expenses	Expenses	Expenses	Expenses	Expenses	Consultant	Consultant	Consultant	
	Cost		$20,000	$20,000	$20,000	$20,000	$20,000	$50,000	$75,000	$50,000	
	Cost		$42,500	$42,500	$42,500	$42,500	$42,500	$72,500	$97,500	$72,500	**$455,000**
Total	**FTE**	**0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	
	Cost	**$ -**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ 72,500**	**$ 97,500**	**$ 72,500**	**$ 455,000**

4.7 Administrative and Legal

Administrative support and legal expertise will be needed to support development and implementation of the Near Term Services. For this purpose, the Board would:

- Hire or contract legal assistance to assist with writing the Near Term Implementation Transmission Agreement (TA1) and providing Near Term Implementation Staff legal advice on operational and development issues.
- Hire one administrative support staff to support the work of the organization put in place by the Board to carry out the design, development, deployment and operation of Near Term Services.

Table 6: Administrative and Legal work plan and budget

Function			Q0	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
1	Admin	Activity	Prepare	Hire	Administrative support for the Near-Term Implementation Team							
		FTE	0	1	1	1	1	1	1	1	1	
		Resources										
		Res Cost										
		Cost	$0	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$240,000
2	Develop Near-Term TA	Activity		Develop Tx Agreement								
		FTE										
		Resources		Consultant	Consultant							
		Res Cost		$75,000	$75,000							
		Cost		$75,000	$75,000							$150,000
Total		**FTE**	**0**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	
		Cost	**$ -**	**$105,000**	**$105,000**	**$ 30,000**	**$ 30,000**	**$ 30,000**	**$ 30,000**	**$ 30,000**	**$ 30,000**	**$ 390,000**

4.8 Summary of Costs and Staffing

Table 7: Summary of Costs and Staffing For Integration Proposal Near Term Services

Function/Service Area		Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
Transmission Planning	FTE	3	8	8	8	8	8	8	8	
	Cost	$ 540,000	$ 520,000	$ 406,000	$ 331,000	$ 331,000	$ 331,000	$ 331,000	$ 331,000	**$ 3,121,000**
IMM	FTE	1	1	1	1	1	1	1	1	
	Cost	$ 120,000	$ 245,000	$ 395,000	$ 295,000	$ 295,000	$ 295,000	$ 295,000	$ 295,000	**$ 2,235,000**
Common OASIS	FTE	1	1	1	1	1	1	1	1	
	Cost	$ 95,000	$ 120,000	$ 95,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	**$ 535,000**
Reliability & Security	FTE	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
	Cost	$ 42,500	$ 42,500	$ 42,500	$ 42,500	$ 42,500	$ 42,500	$ 42,500	$ 42,500	**$ 340,000**
Flow Based ATC	FTE	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
	Cost	$ 42,500	$ 42,500	$ 42,500	$ 42,500	$ 42,500	$ 72,500	$ 97,500	$ 72,500	**$ 455,000**
Admin & Legal	FTE	1	1	1	1	1	1	1	1	
	Cost	$ 105,000	$ 105,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	**$ 390,000**
Contingency	Cost									**$ 1,000,000**
Overall Services	**FTE**	**7**	**12**	**12**	**12**	**12**	**12**	**12**	**12**	
	Cost	**$ 945,000**	**$1,075,000**	**$1,011,000**	**$ 786,000**	**$ 786,000**	**$ 816,000**	**$ 841,000**	**$ 816,000**	**$ 8,076,000**

5 Conclusion

The Integration Technical Work Group is recommending implementation of Planning and Expansion, Independent Market Monitor and OASIS services similar to what was described in the TIG proposal. We are also recommending the Board facilitate development and implementation of as much of the Reliability and Flow Based ATC proposals as is practical in the first two years. These efforts will take place while the next level of design for the TSLG Basic Features is completed.

Development and operation of these Near Term Services are expected to cost the region $8.1 million in the first two years. This funding would enable the Board to engage 12 FTE to support these services.

The development of these Near Term Services will be a major effort, but is expected to provide substantial value for the Region, while moving us toward a “one utility” management approach for the region’s transmission network. This approach will take steps toward improving reliability of the grid in the future; increasing operating efficiency; and potentially improving the timeliness of construction of needed infrastructure.

Attachment 1

A Straw Proposal for Convergence of the TIG and Grid West Concepts

September 23, 2005

A group of 14 regional consumer-owned, public-owned and investor-owned utility representatives with varying levels of support for TIG, Grid West or both gathered to determine if there exists a transmission policy alternative to the competing proposals. If such an alternative exists, we are hopeful it can garner support from more of the region's stakeholders and reduce the divisiveness that currently ensnares the region. To find an alternative we had to sift through the differences in the proposals at the fundamental level. We intentionally avoided the detail.

The Discussions

The biggest concern with Grid West is the potential for scope creep. An independent Board can undertake scope changes beyond the basic features identified by the Transmission Service Liaison Group (TSLG) in the Grid West development effort despite opposition by the stakeholders in the region. Another major concern with Grid West is the potential for a Board without adequate experience with or commitment to regional concerns.

The biggest opposition to TIG stems from its lack of independence. The TSLG basic features can't be effectively implemented without assurance that they will be applied consistently to all market participants. Another major concern is that TIG addresses only a subset of the problems and opportunities identified two years ago by the regional representatives group (RRG).

Once the major concerns were identified, we tried to find areas of agreement. First, everyone agreed that the Pacific Northwest is unique and that regional transmission policy experience will be critical to the success of any entity. Furthermore, everyone agreed that some of the low hanging fruit identified in the TIG proposal has real value to the region and should be harvested regardless of the outcome of this whole process, and the sooner the better. Next, while there was unanimous approval at the RRG two years ago as to the list of problems, the priority to resolve any specific problem is likely different among different stakeholders. The TIG proposal was not designed to address all of the problems identified by the RRG. It was designed to address the issues most important to those that participated in the development of the proposal. Finally, very few of the stakeholders in the region have the resources to participate actively in competing parallel processes attempting to address the same problems.

As we focused on the independence conundrum, we found that TIG supporters acknowledge that oversight by an entity that is independent of market participants would be necessary to effectively implement the TSLG basic features. We found further that Grid West supporters believed it would be unlikely that the Grid West independent Board would make scope changes if the Members Representative Committee (MRC) formally voiced its opposition, especially if there were substantial regional transmission policy experience on the Board.

With a common understanding of the most critical concerns and points of agreement, we developed the following proposal. While containing elements of both, this concept is neither Grid West nor TIG. Although we acknowledge that this proposal will not be acceptable to parties firmly entrenched in their

respective philosophical camps, we are hopeful that it will serve as a platform that can be supported by more of the region's stakeholders than currently support exclusively Grid West or TIG.

The Proposal

A non-profit, non-FERC-jurisdictional, member organization (the "Charter" entity to be named later) will implement valuable near term services identified by TIG in its proposal[2] while simultaneously continuing the activities to ultimately implement the TSLG basic features, including the negotiation of transmission agreements among transmission owners for that purpose. The continuing activities will follow the schedule contemplated in the Grid West proposal with regional review at Decision Points 3 and 4.

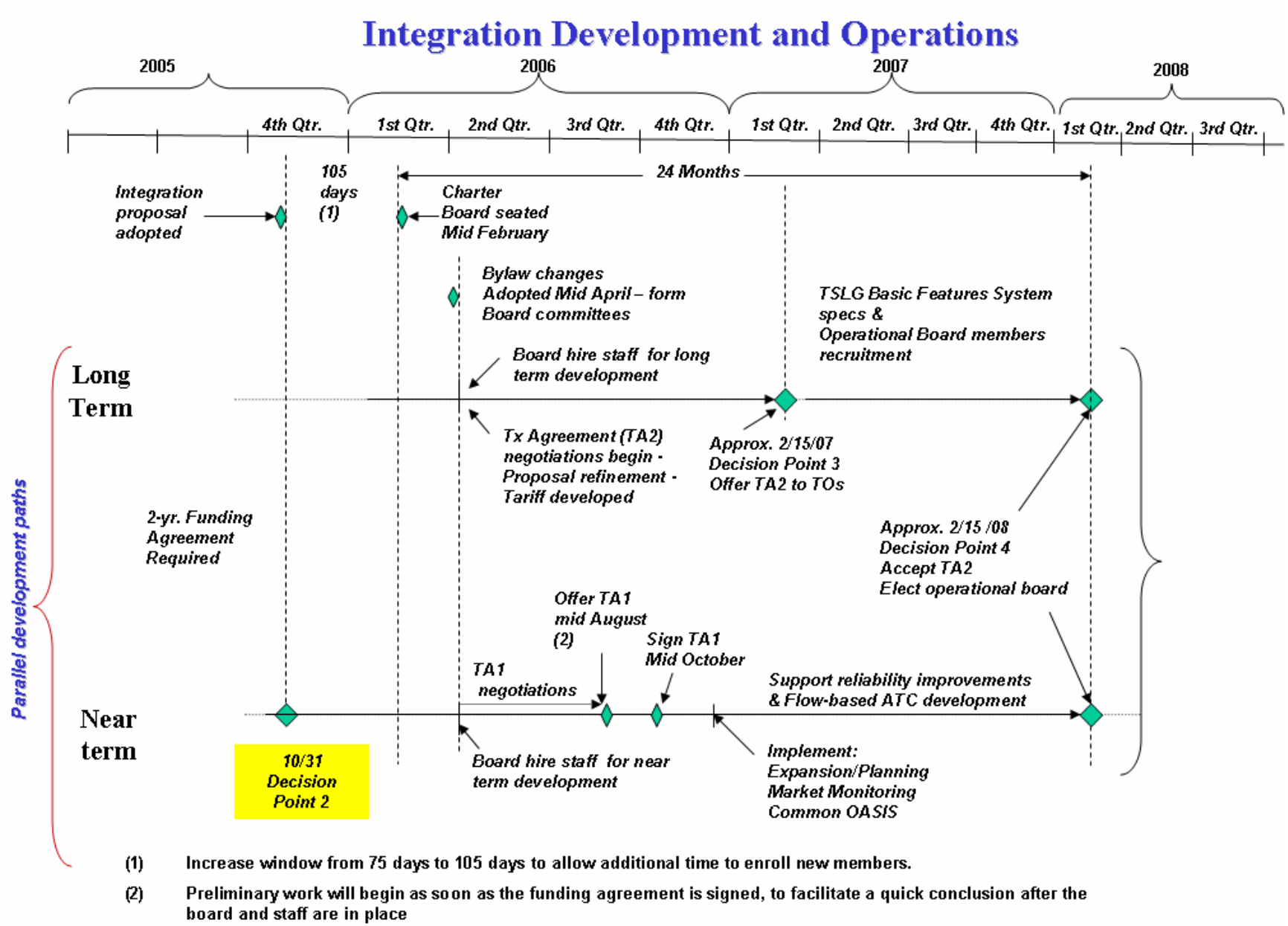
Because the Charter entity will be performing services that are contemplated to continue indefinitely, it will need to continue to exist in the event that the region determines at either Decision Point 3 or 4 to cease further work toward implementation of the TSLG basic features. If at Decision Point 4 the regional decision is to go forward with implementation of TSLG basic features, the transmission agreements would be executed and a tariff filed at FERC governing TSLG basic features.

Unlike the Grid West governance proposal, the Charter entity will be independent only within a defined scope limited to its initial purposes and ultimately, implementation and management of the TSLG basic features. The Charter Board will not be permitted to adopt scope changes defined as the special issues without approval of the MRC. Furthermore, members of the Charter Board will be required to have regional transmission policy experience.

While we did acknowledge that the existing bylaws for Grid West were thoroughly vetted in the region and thus are a logical starting place, details on how to implement this proposal was beyond the scope of our discussions and is best left to regional dialogue.

[2] Transmission planning and expansion modeled on the concept developed by TIG with the Charter Board filling the role of the Transmission Expansion Review Committee (TERC); interim market monitoring building to the extent practicable upon the work done by SSG-WI that will serve its purpose until such time as a west-wide market monitor exists that fulfills the needs of the members; common OASIS; others as determined by the members

Attachment 2 – Integration Timeline



(1) Increase window from 75 days to 105 days to allow additional time to enroll new members.

(2) Preliminary work will begin as soon as the funding agreement is signed, to facilitate a quick conclusion after the board and staff are in place